

TOWNSHIP OF BRADY  
SAGINAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Brady Township	County Saginaw
Fiscal Year End March 31, 2006	Opinion Date August 29, 2006	Date Audit Report Submitted to State September 30, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

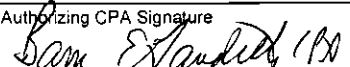
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. Eighth Street		City Traverse City	State MI
Zip 49686			
Authorizing CPA Signature 	Printed Name Barry E. Gaudette, CPA	License Number 11050	

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## INTRODUCTORY SECTION

Township of Brady  
Organization  
March 31, 2006

Township Officials

John Schoch

Supervisor

Melissa Alcorn

Clerk

Patricia Goodrich

Treasurer

Sue Peterson

Trustee

Greg Wirostek

Trustee

## **FINANCIAL SECTION**

### INDEPENDENT AUDITORS' REPORT

Members of the Township Board  
Township of Brady  
Saginaw County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Brady as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Brady, Saginaw County, Michigan, as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Township of Brady  
Independent Auditors' Report  
Page Two

As described in Note IV(D), the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of March 31, 2006.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

*Bary E. Sandells, CPA, PC*

August 29, 2006



## **BASIC FINANCIAL STATEMENTS**

Township of Brady  
Statement of Net Assets  
March 31, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 152,537
Investments	77,520
Restricted cash	8,072
Taxes receivable	3,908
Prepaid expenses	4,688
Due from other funds	110
Capital assets (net of accumulated depreciation):	
Land	74,515
Buildings	29,715
Building improvements	9,854
Equipment	9,086
Vehicles	<u>23,504</u>
Total assets	<u>393,509</u>
<b>LIABILITIES</b>	
Accounts payable	<u>3,376</u>
Total liabilities	<u>3,376</u>
<b>NET ASSETS</b>	
Invested in capital assets	146,674
Restricted for police equipment	8,072
Unrestricted	<u>235,387</u>
Total net assets	<u>\$ 390,133</u>

See notes to financial statements

Township of Brady  
Statement of Activities  
For The Year Ended March 31, 2006

Programs	Program Revenues			
	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Governmental activities:				
Legislative:				
Trustee wages	\$ 4,865	\$	\$	\$
General government:				
Supervisor	10,000			
Treasurer	12,800			
Assessor	13,049			
Clerk	10,000			
Elections	1,179			
Township hall	13,535			
Cemetery	7,675	875		
Other	17,508			
Public safety	39,633	21,044	1,000	13,058
Public works	105,740	68,158		3,402
Community & economic develop.	4,325			
Health & welfare	672			
Other:				
Depreciation	6,780			
Miscellaneous	1			
Insurance	13,419			
Payroll taxes	<u>6,848</u>			
Total governmental activities	<u>\$268,029</u>	<u>\$ 90,077</u>	<u>\$ 1,000</u>	<u>\$ 16,460</u>

General revenues:  
Property taxes & related fees  
State revenue sharing  
Interest  
Rents  
Other  
Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

**Net (Expense) Revenue and  
Changes in Net Assets**

**Governmental  
Activities**

\$ ( 4,865)

( 10,000)

( 12,800)

( 13,049)

( 10,000)

( 1,179)

( 13,535)

( 6,800)

( 17,508)

( 4,531)

( 34,180)

( 4,325)

( 672)

( 6,780)

( 1)

( 13,419)

( 6,848)

(160,492)

65,729

139,697

2,159

6,873

173

214,631

54,139

335,994

\$ 390,133

Township of Brady  
Balance Sheet  
Governmental Funds  
March 31, 2006

	<u>General Fund</u>	<u>Refuse Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 73,866	\$ 78,671	\$ 152,537
Investments	77,520		77,520
Restricted cash	8,072		8,072
Taxes receivable	3,908		3,908
Prepaid expenses	4,688		4,688
Due from other funds	<u>110</u>		<u>110</u>
Total assets	<u>\$168,164</u>	<u>\$ 78,671</u>	<u>\$ 246,835</u>
<b>LIABILITIES</b>			
Accounts payable	<u>\$ 3,376</u>	<u>\$</u>	<u>\$ 3,376</u>
Total liabilities	<u>3,376</u>		<u>3,376</u>
<b>FUND BALANCE</b>			
Fund balance:			
Reserved-police	8,072		8,072
Unreserved:			
General fund	156,716		156,716
Refuse fund	<u>          </u>	<u>78,671</u>	<u>78,671</u>
Total fund balance	<u>164,788</u>	<u>78,671</u>	<u>243,459</u>
Total liabilities and fund balance	<u>\$168,164</u>	<u>\$ 78,671</u>	<u>\$ 246,835</u>

See notes to financial statements

Township of Brady  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
March 31, 2006

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 243,459
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Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds:

Cost of capital assets	285,888
Accumulated depreciation	<u>(139,214)</u>

Total Net Assets - Governmental Activities	<u>\$ 390,133</u>
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See notes to financial statements

Township of Brady  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
Governmental Funds  
For The Year Ended March 31, 2006

	<u>General Fund</u>	<u>Refuse Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes & related fees	\$ 65,729	\$	\$ 65,729
Licenses & permits	9,187		9,187
State aid:			
State revenue sharing	139,697		139,697
Liquor license fee	426		426
Annual maintenance fee	3,402		3,402
Contributions from local units	13,058		13,058
Charges for services	12,306	68,158	80,464
Interest	1,874	285	2,159
Rents	6,873		6,873
Other revenue:			
Miscellaneous	173		173
Public contributions	<u>1,000</u>	<u>          </u>	<u>1,000</u>
Total revenues	<u>253,725</u>	<u>68,443</u>	<u>322,168</u>
<b>EXPENDITURES</b>			
Current:			
Legislative	4,865		4,865
General government	85,746		85,746
Public safety	39,633		39,633
Public works	41,399	64,341	105,740
Community & economic development	4,325		4,325
Health & welfare	672		672
Other	20,268		20,268
Capital outlay	<u>36,166</u>	<u>          </u>	<u>36,166</u>
Total expenditures	<u>233,074</u>	<u>64,341</u>	<u>297,415</u>
Net change in fund balance	20,651	4,102	24,753
Fund balance-beginning of year	<u>143,762</u>	<u>74,569</u>	<u>218,331</u>
Fund balance-end of year	<u>\$164,413</u>	<u>\$ 78,671</u>	<u>\$ 243,084</u>

See notes to financial statements

Township of Brady  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For The Year Ended March 31, 2006

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balance - governmental funds	\$ 24,753
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded (did not exceed) depreciation in the current period.	<u>29,386</u>
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Change in net assets of governmental activities	<u><u>\$ 54,139</u></u>
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See notes to financial statements



Township of Brady  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
- Budget and Actual  
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Property taxes & related fees	\$ 53,930	\$ 53,930	\$ 65,729	\$ 11,799
Licenses & permits	9,745	9,745	9,187	( 558)
State aid:				
State revenue sharing	141,000	141,000	139,697	( 1,303)
Liquor license fee	425	425	426	1
Annual maintenance fee			3,402	3,402
Contributions from local units			13,058	13,058
Charges for services	11,300	11,300	12,306	1,006
Interest	35	35	1,874	1,839
Rents	5,000	5,000	6,873	1,873
Other revenue:				
Miscellaneous			173	173
Public contributions			1,000	1,000
Total revenues	<u>221,435</u>	<u>221,435</u>	<u>253,725</u>	<u>32,290</u>
<b>EXPENDITURES</b>				
Current:				
Legislative:				
Trustee wages	<u>5,000</u>	<u>5,000</u>	<u>4,865</u>	<u>135</u>
General government:				
Supervisor	10,000	10,000	10,000	
Treasurer	13,000	13,000	12,800	200
Assessor	13,920	13,920	13,049	871
Clerk	10,000	10,000	10,000	
Elections	1,000	1,000	1,179	( 179)
Township hall	19,000	19,000	13,535	5,465
Audit	1,750	2,000	2,000	
Legal	2,500	2,500	451	2,049
Board of review	900	900	696	204

Township of Brady  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
- Budget and Actual  
For the Year Ended March 31, 2006  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>EXPENDITURES</b>				
<b>CONTINUED:</b>				
Current (continued):				
General government				
(continued):				
Cemetery	8,000	10,000	7,675	2,325
Dues & memberships	1,200	1,200	993	207
Office supplies	5,000	5,000	2,351	2,649
Maintenance	350	350	41	309
Communications	2,000	2,000	1,903	97
Transportation	1,000	1,400	1,447	( 47)
Printing/publishing/ postage	6,000	6,000	5,377	623
Conventions	4,000	4,000	1,894	2,106
County meeting expense	<u>700</u>	<u>700</u>	<u>355</u>	<u>345</u>
Total general government	<u>100,320</u>	<u>102,970</u>	<u>85,746</u>	<u>17,224</u>
Public safety:				
Police	38,300	38,300	30,480	7,820
Building inspection	<u>9,000</u>	<u>9,000</u>	<u>9,153</u>	<u>( 153)</u>
Total public safety	<u>47,300</u>	<u>47,300</u>	<u>39,633</u>	<u>7,667</u>
Public works:				
Roads	73,475	73,475	39,249	34,226
Drain at large	<u>2,000</u>	<u>2,000</u>	<u>2,150</u>	<u>( 150)</u>
Total public works	<u>75,475</u>	<u>75,475</u>	<u>41,399</u>	<u>34,076</u>

Township of Brady  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
- Budget and Actual  
For the Year Ended March 31, 2006  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>EXPENDITURES</b>				
<b>CONTINUED:</b>				
Current (continued):				
Community & economic				
development:				
Zoning, planning				
board of				
appeals	<u>5,000</u>	<u>5,000</u>	<u>4,325</u>	<u>675</u>
Health & welfare	<u>2,150</u>	<u>2,150</u>	<u>672</u>	<u>1,478</u>
Other:				
Miscellaneous	100	300	1	299
Insurance	15,000	15,000	13,419	1,581
Payroll taxes	<u>7,000</u>	<u>7,000</u>	<u>6,848</u>	<u>152</u>
Total other	<u>22,100</u>	<u>22,300</u>	<u>20,268</u>	<u>2,032</u>
Capital outlay	<u>6,500</u>	<u>6,500</u>	<u>36,166</u>	<u>( 29,666)</u>
Total				
expenditures	<u>263,845</u>	<u>266,695</u>	<u>233,074</u>	<u>33,621</u>
Net change in fund				
balance	( 42,410)	( 45,260)	20,651	65,911
Fund balance -				
beginning	<u>43,140</u>	<u>43,140</u>	<u>143,762</u>	<u>100,622</u>
Fund balance -				
ending	<u>\$ 730</u>	<u>\$ ( 2,120)</u>	<u>\$164,413</u>	<u>\$166,533</u>

See notes to financial statements

Township of Brady  
Statement of Fiduciary Net Assets  
March 31, 2006

	<u>Trust &amp; Agency Fund</u>	<u>Tax Collection Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ <u>61</u>	\$ <u>110</u>
Total Assets	<u>61</u>	<u>110</u>
 <b>LIABILITIES</b>		
Due to other funds	<u>          </u>	<u>110</u>
 <b>NET ASSETS</b>		
Held in trust for other purposes	<u>\$ 61</u>	<u>\$</u>

See notes to financial statements

Township of Brady  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended March 31, 2006

	<u>Trust &amp; Agency Fund</u>	<u>Tax Collection Fund</u>
<b>ADDITIONS</b>		
Property tax collections and fees	\$ 33,007	\$1,304,559
Special assessment taxes	68,158	
Interest earnings	102	95
Employee wages & payroll taxes	<u>43,434</u>	<u>          </u>
Total additions	<u>144,701</u>	<u>1,304,654</u>
<b>DEDUCTIONS</b>		
Payments to general fund	26,116	65,729
Payments to refuse fund	64,341	
Payments to other governmental units	10,999	1,238,925
Payments for employees & payroll taxes	<u>43,434</u>	<u>          </u>
Total deductions	<u>144,890</u>	<u>1,304,654</u>
Changes in net assets	( 189)	
Net assets - beginning	<u>250</u>	<u>          </u>
Net assets - ending	<u>\$ 61</u>	<u>\$          </u>

See notes to financial statements

**Township of Brady**  
**Notes to the Financial Statements**  
**March 31, 2006**

**I: Summary of significant accounting policies**

The financial statements of the Township of Brady (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**A. Reporting entity**

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Township has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

### C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Saginaw County, which advances the Township 100% for the delinquent taxes.

The 2005 real taxable valuation of the Township totaled \$46,461,149, on which ad valorem taxes levied consisted of .8959 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees to collect the taxes and applicable interest. There is also a special assessment for refuse pickup. Trailer taxes of \$1,079 were also collected.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The refuse fund is a special revenue fund.

The Township reports the following fiduciary funds:

The *trust and agency fund* is used to collect payroll wages and payroll taxes from the general fund for disbursement and to collect special assessments from taxpayers for refuse charges. This fund is used to account for resources in a purely custodial capacity.

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Township did not have any proprietary funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

#### **D. Assets, liabilities and net assets**

##### **1. Deposits and investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of



purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Township Board has designated one bank for the deposit of Township funds.

## **2. *Short-term interfund receivables/payable***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements. The tax collection fund owes the general fund \$112.

## **3. *Receivables and payables***

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

## **4. *Inventories***

Inventories of supplies are considered to be immaterial and are not recorded.

## **5. *Prepaid items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## **6. *Restricted assets***

The general fund has a passbook savings account of \$8,072, reserved for the purchase of police equipment.

## **7. *Capital assets***

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	15
Equipment	5
Vehicles	5

#### **8. *Compensated absences***

The Township does not have a compensated absence policy.

#### **9. *Long-term obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. The Township does not have any long-term obligations.

#### **10. *Fund Balance***

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

#### **11. *Use of Estimates***

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## **II: Stewardship, compliance and accountability**

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund. A budget was not adopted for the refuse fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

## **B. Excess of expenditures over appropriations**

During the year ended March 31, 2006, expenditures exceeded appropriations in the activities of elections, transportation, building inspection, drain at large, and capital outlay (the legal level of budgetary control) of the general fund by \$179, \$47, \$153, \$150, and \$29,666, respectively. These overexpenditures were funded by the available fund balance, in the general fund.

## **III: Detailed notes on all funds**

### **A. Deposits, investments and credit risk**

#### **Deposits**

At year-end, the carrying amount of the Township's deposits were \$160,609 and the bank balance was \$166,732, of which \$166,732 was covered by federal depository insurance.

#### **Investments**

The Township had the following investments at Community State Bank as of March 31, 2006:

Community State Bank-CD	(#34002413)	\$ 7,340
Community State Bank-CD	(#81659)	<u>70,180</u>
Total		<u>\$ 77,520</u>

*Interest Rate Risk* - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The Township's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Township shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Township shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Township held in trust by the financial institution or bank. The Township may choose collateralization in the following form and percentages:

- |                                     |            |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes              | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and  |
| 3. Mortgage Backed Securities       | - 25%      |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Township.

The Township has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Township places no limit on the amount the Township may invest in any one issuer. All of the Township's investments are reported in the general fund.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	\$ 160,609
Investments	<u>77,520</u>
Total	<u>\$ 238,129</u>
Cash and cash equivalents:	
General and refuse funds	\$ 244,252
Checks written in excess of deposits	<u>( 6,123)</u>
Total	<u>\$ 238,129</u>

#### **B. Receivables**

The County of Saginaw owes the Township delinquent taxes of \$3,908 for operating purposes as of March 31, 2006.

### C. Capital assets

Capital asset activity for the year ended March 31, 2006  
was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 74,515	\$	\$	\$ 74,515
Capital assets being depreciated:				
Buildings	84,898			84,898
Building improvements	9,487	1,688		11,175
Equipment	80,822	8,362		89,184
Vehicles		26,116		26,116
Subtotal	<u>175,207</u>	<u>36,166</u>		<u>211,373</u>
Less accumulated depreciation for:				
Buildings	( 53,061)	( 2,122)		( 55,183)
Building improvements	( 632)	( 689)		( 1,321)
Equipment	( 78,741)	( 1,357)		( 80,098)
Vehicles		( 2,612)		( 2,612)
Subtotal	<u>(132,434)</u>	<u>( 6,780)</u>		<u>(139,214)</u>
Net capital assets being depreciated	<u>42,773</u>	<u>29,386</u>		<u>72,159</u>
Governmental activities capital assets-net of depreciation	<u>\$ 117,288</u>	<u>\$ 29,386</u>	<u>\$</u>	<u>\$ 146,674</u>

Depreciation expense was charged to functions/programs of the  
government as follows:

Governmental activities:	
General government	\$3,899
Public safety	<u>2,881</u>
Total depreciation expense - governmental activities	<u>\$6,780</u>

#### **IV. Other information**

##### **A: Risk management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

##### **B: Pension plan**

The Township does not have a pension plan.

##### **C: Intergovernmental agreements**

The Township has an agreement with a local fire department consisting of several local municipalities to render fire protection to its residents. One of the township board members is appointed to serve on the board of the fire department.

##### **D: Implementation of new accounting standard**

As of and for the year ended March 31, 2006, the Township implemented GASB Statement Number 34 - *Basic Financial Statements -and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

## COMMENTS AND RECOMMENDATIONS



Members of the Township Board  
Township of Brady  
Saginaw County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The following comments and recommendations are based on observations made during the course of our examination for the year ended March 31, 2006:

**Investment Policy**

The Township may have adopted an investment policy in a prior year, but during our fieldwork it could not be located. My understanding is that the Township will either adopt another investment policy at a future Township Board meeting or mail me a copy of the existing investment policy when located.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, Township Board, and the Michigan Department of Treasury and should not be used for any other purpose.

*Barry E. Gaudette, CPA, P.C.*

August 29, 2006